GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:5467
ANSWERED ON:15.05.2007
NORTH EASTERN INDUSTRIAL POLICY
Bhagora Shri Mahavir

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the details of target set and achieved by the North-Eastern Industrial Policy package during each of the last three years, State wise;

(b) the details of funds released and the number of beneficiaries covered under the said package during the above period, State-wise;

(c) the number of employment opportunities generated under the said package, State-wise;

(d) whether the package has been evaluated; and

(e) if so, the details and reaction of the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI ASHWANI KUMAR)

(a) : No target was fixed under the North Eastern Industrial Policy.

(b): The funds are released to settle the claims of industrial units.The details of release and the number of such claims are detailed in Annexure 'A'.

(c) to (e): An impact assessment study of the NEIP was conducted by the Tata Economic Consultancy Services (TECS) in 2004. As per the study between 1999 & September, 2004 a total of 681 units were set up in the North East with a total investment of Rs.1,067.28 crore and the direct employment generated was 20,709. Recommendations of the TECS and details of employment generated are as detailed at Annexure 'B'. Based on the recommendations of the TECS, the North East Industrial Policy, 1997 has been revised and a new Policy 'North East Industrial and Investment Promotion Policy, 2007' has been notified on 1.4.2007.

ANNEXURE 'A'

STATEMENT REFERRED TO IN REPLY TO PART (b) OF LOK SABHA UNSTARRED QUESTION NO. 5467 FOR ANSWER ON 15.5.2007.

Rs. In crore

Central Capital Investment Subsidy

State	2004-05		2005-06		2006-07	
	No of claims	Amount	No. of claims	Amount	No. of claims	Amount
Assam	25	3.37	124	15.75	44	6.68
Arunachal	3	0.55	3	0.61	1	0.17
Meghalaya	16	3.40	26	5.01	5	0.80
Mizoram	0	0.00	6	0.51	-	-
Nagaland	0	0.00	0	0.00	126	1.07
Tripura	5	0.18	1	0.30	2	0.36
Sikkim	1	0.23	7	0.75	5	0.50

Rs. In crore

Central Interest Subsidy

State	2004-05	2005-06	2006-07

	No of claims	Amount	No. of claims	Amount	No. of claims	Amount
Assam	75	2.60	49	3.59	27	3.94
Arunachal	0	0.00	1	0.04	-	-
Meghalaya	61	1.54	16	0.41	2	0.21
Mizoram	0	0.00	0	0.00	-	-
Nagaland	0	0.00	0	0.00	-	-
Tripura	11	0.15	1	0.26	-	-
Sikkim	1	0.14	0	0.00	-	-

(In Rs.)
Central Comprehensive Insurance Scheme

State	2004-05 Amount	2005-06 Amount	2006-07 Amount
Assam	15251769	17028906	6717000
Arunachal	203303	233303	
Manipur			
Meghalaya	2207122	2353279	3181000
Mizoram	0	0	
Nagaland	0	10436	
Tripura	186092	403041	167000

ANNEXURE 'B'

STATEMENT REFERRED TO IN REPLY TO PARTS (c) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 5467 FOR ANSWER ON 15.5.2007.

Impact Assessment by TECS

(From 1999 to September 2004)

State	No of units	Investment (Rs. crores)	%age share	Direct Employment Generated
Assam	520	528.19	49.49	12,422
Meghalaya	61	441.01	41.32	6,056
Arunanchal Pradesh	11	39.86	3.73	577
Tripura	34	31.58	2.96	665
Nagaland	46	19.64	1.84	439
Mizoram	4	4.00	0.39	300
Manipur	5	3.00	0.28	250
Total	681	1,067.28	100.00	20,709

Major findings of TECS

(i) Predominance of small sized investments in the North Eastern Region, i.e., 69% of the new units were set up with an investment of less than Rs. 1 crore and only 18% of them were in the range of Rs. 1-2 crore.

(ii) At the sectoral level, nearly 50% of the total investment was in sectors such as cement, metallurgy and ferro-alloys, 20 % in tea, 8% in food & beverages and 7% in cosmetics and consumer durables which attracted higher excise duty.

(iii) Local resource based industries like tea and jute have also taken advantage of this Policy.

(iv) States of Assam and Meghalaya together accounted for 91% of the total industrial investments made in the North Eastern Region.

(v) Out of 18 thrust industries, which were identified on the basis of local resources, only six industries, i.e., food, agro-based, cereal-based products, paper products, plastics and mineral-based have attracted significant investments.

(vi) The flow of investment was mostly driven by the objective to avail excise exemptions in the high excise bracket industries and more than 50% of the excise refund was availed by tobacco and personal care products, which had a low investment content.

(vii) The declining interest regime has not percolated to the North Eastern Region and the interest rates continue to be 14-15% with 100% collateral requirements. Banking institutions continue to perceive the North Eastern region as a high risk area, emphasizing the

need for term loan interest subsidy.

(viii) Infrastructure constraints, particularly availability/reliability of power, size of market, entrepreneurial capacity and lack of credit facilities coupled with concern for security have been the major deterrents for investment.

(ix) NEIP had a favourable impact on the tea sector.

(x) The investment flow has largely been dictated by considerations of excise duty benefits. Sectors such as handlooms, handicrafts and agro-industries, which are outside the excise duty ambit, have not been able to attract adequate investments. Significantly, these are also sectors with high employment potential,

(xi) The overall cost-benefit analysis clearly establishes that though the NEIP has had a positive impact, it has not been upto the desired extent.

(xii) Special packages announced for the States of Jammu & Kashmir, Uttaranchal and Himachal Pradesh subsequent to NEIP, 1997 have adversely impacted the flow of investments to the North Eastern Region.

Major Recommendations of the TECS

Based on the study and interaction with the various stake-holders, the TECS had recommended the following:

(i) Extension of the NEIP beyond 2007.

(ii) Extension of incentives under the Policy to the new units as well to the existing units irrespective of their location.

(iii) Extension of incentives to service sectors such as IT and IT enabled services, tourism, healthcare and construction activities.

(iv) Provision of quality infrastructure.

(v) Exemption from Minimum Alternative Tax (MAT).

(vi) Extension of the Transport Subsidy Scheme by ten years, with intra-State movement of goods also becoming eligible for transport subsidy.

(vii) Introduction of an enhanced and graded capital investment subsidy.

(viii) Enhancement in present level of Interest Subsidy and its extension to term loans.

(ix) Rationalization of the definition of "substantial expansion".

(x) Exemption from service tax to service sector industries.